

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6697

BILL NUMBER: SB 329

DATE PREPARED: Jan 31, 2002

BILL AMENDED: Jan 31, 2002

SUBJECT: Electronic Payments to Governmental Bodies.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill establishes a uniform procedure that allows all levels of government to accept credit cards and other forms of electronic payment as payment for a service, a tax, a license, a permit, a fee, information, or any other amount due to a governmental body. The bill eliminates separate provisions allowing local governments and county treasurers to accept electronic payments.

Effective Date: July 1, 2002.

Explanation of State Expenditures: This bill will allow governmental bodies to accept various forms of electronic payment if they follow the procedure set forth in this bill. Depending on the amount of revenue received in the form of an electronic payment, General Fund expenses could increase due to the vendor's fees charged to the merchant. However, this bill provides that governmental bodies may charge the vendor's fees to customers paying by electronic form.

The Bureau of Motor Vehicles (BMV), Department of Natural Resources (DNR), and the Department of State Revenue (DOR) accept credit card payments. The Secretary of State currently accepts credit card payments for some on-line services. The Department of Fire and Building Services and State Emergency Management Agency are currently evaluating the possibility of accepting credit card payments.

A vendor fee is generally part of the negotiated contract associated with accepting credit card payments. The vendors' fees incurred by the DNR and the DOR (for late tax payments) are paid from the balance in the state treasury. For FY 2000, approximately \$15,806 were paid monthly in vendor fees for the DNR and DOR. (Individuals who pay their personal income taxes with the Discover card are directly charged a fee by Discover card and a vendor fee is not paid by the DOR.) The DOR experienced credit card payments of \$19.4 M out of \$11.2 B in total revenues for tax year 2000, which is up from \$16.3 M of \$10.6 B in revenues in 1999.

Unlike the DNR and the DOR, the BMV pays the vendor fees. The vendor fees paid by the BMV are a percentage (approximately 1.8%) of the credit card charges made to the BMV. In the first six months of CY 2000, BMV paid approximately \$1.5 M in vendor fees (\$1.4 M to Star Financial for Visa and MasterCard; \$133,135 to Novus Services for Discover card).

The Secretary of State charges the vendor's fee to customers who choose to pay by credit card on the agency's Internet site. The fee ranges between \$2.20 and \$4.40, depending on the service or item being purchased.

Explanation of State Revenues: The use of credit cards is not expected to increase the amount of revenue which is collected from certifications, licenses, and fees, but will increase the ease of making the payments for the individuals.

Explanation of Local Expenditures: Local agencies are expected to experience the same impact as state agencies.

Explanation of Local Revenues:

State Agencies Affected: All agencies choosing to accept electronic payments.

Local Agencies Affected: All local agencies choosing to accept electronic payments.

Information Sources: Kim Logan, State Treasurer's Office, (317) 233-0921; Jane Morrical, Bureau of Motor Vehicles, (317) 232-2822; Jim Mundt, Department of State Revenue, (317) 232-8022.